U.S. COMPANIES IN A DECLINING \$ ENVIRONMENT

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U.S. Strong Dollar Policy:

September 2003 G7 meeting in Dubai

1985 Plaza Accord

Current U.S. Administration



Main Trading Partners

Export to: (Industrialized Nations)

Canada

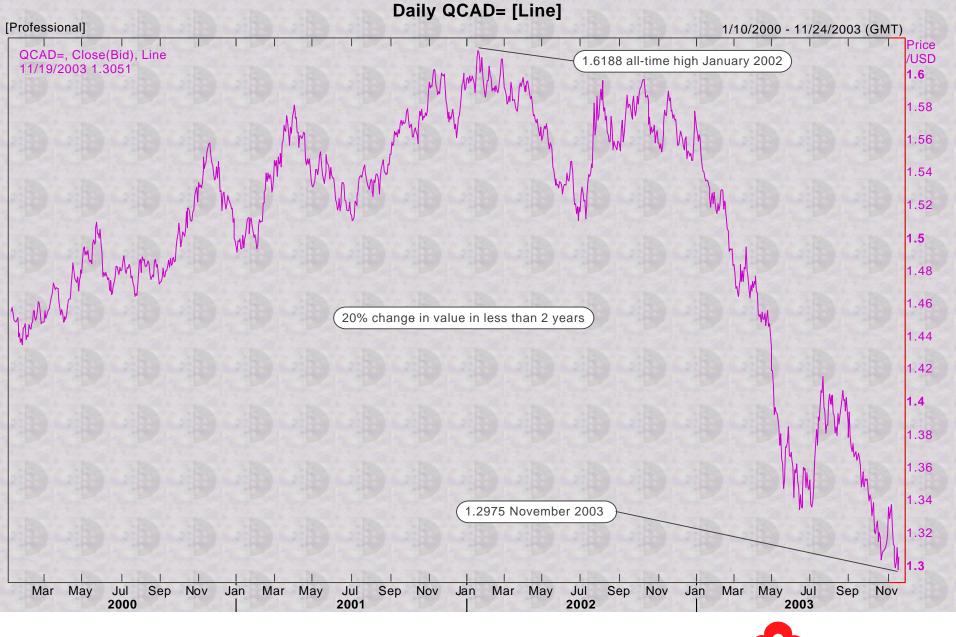
European Union

Import From: (Developing Nations)

China/SE Asia

Mexico/Central, South America

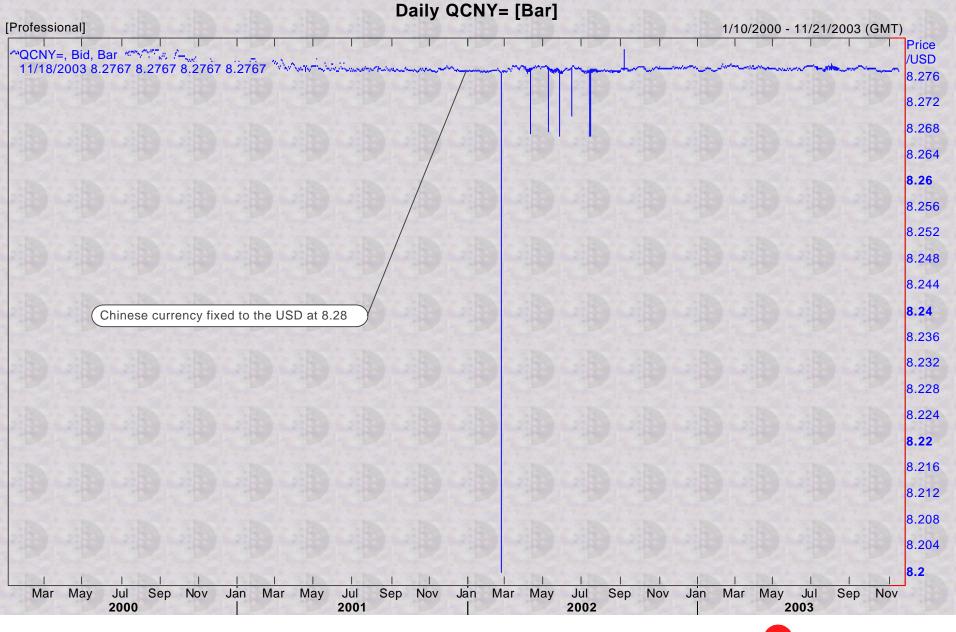




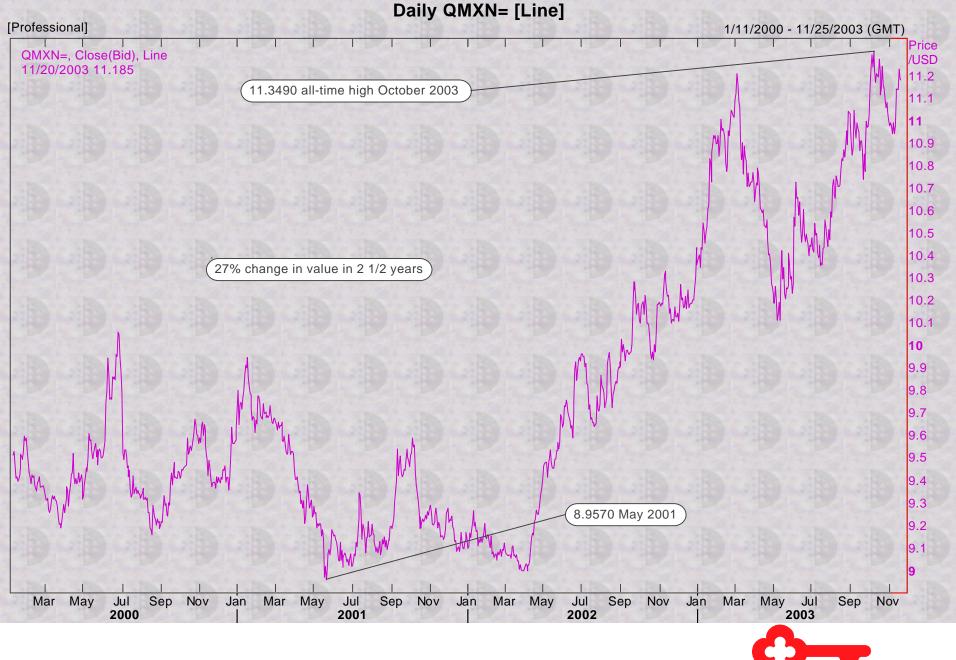














Exporters:

Price of product has declined by 20% when selling into Canada

Price of product has declined by 45% when selling into EU

Importers:

Cost to import from China has remained steady

Cost to import from Mexico has declined by 27%

Cost to import from Canada & EU has risen (see above)



What to do

If you export to Canada, EU...etc..

- Hedge a portion of your exposure to take advantage of historic exchange rates do not worry about opportunity cost
- Layer in additional hedges as market moves in your favor
- Be prepared to hedge more aggressively if market sentiment shifts against you
- Do not get too comfortable with a declining dollar



What to do

If you import from Canada, EU...etc..

- Depending on your budgeted exchange rates, hedge more aggressively at or better than your break-even
- Look at currency options which allow you to take advantage of moves in your favor but at same time guaranteeing an exchange rate
- Be prepared to reduce your hedging activity if market sentiment moves in your favor
- If you pay in US \$'s, do not be afraid to renegotiate in CAD or EUR's and manage the FX currency risk

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